Supreme Court, U.S.
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No.

IN THE

Supreme Court of the United States

THE DELTA WESTERN GROUP, LLC, PETITIONER

v.

RUTH U. FERTEL, INC.; RUTH'S CHRIS STEAK HOUSES

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED FOR REVIEW

As a matter of public policy, does a stipulation concerning the entry of a preliminary injunction now require the Petitioner to abandon its defense of fraud and unclean hands, defenses the Petitioner was prohibited from raising below under the trheat of sanctions by the District Court if it did so?

Whether the Tenth Circuit Court of Appeals properly awarded sanctions against Petitioner for filing a "frivolous" appeal after it first ordered the Parties to file briefs but in awarding sanctions then relied on the Respondent's reasoning in its motion to strike the appeal?

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The reported opinion and judgment of the Court of Appeals for the Tenth Circuit in *Delta Western Group, LLC et al. v. Ruth's Chris Steakhouses et al.*, 2005 WL 1635338 (10th Cir. 2005), is attached hereto at App. 1a-15a.

The unreported opinion and decision of the Court of Appeals for the Tenth Circuit in *Delta Western Group, LLC et al. v. Ruth's Chris Steakhouses et al.*, denying the petitioner's petition for rehearing is attached hereto at App. 18a-34a.

The unreported permanent injunction entered in the District Court is attached hereto at App. 16a-17a .

JURISDICTION

The judgment of the court of appeals denying rehearing en banc was entered on July 13, 2005. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

The relevant provisions of Public Law 272, known as the "Agricultural Marketing Act of 1946", 7 U.S.C. Section 1622 (h)

STATEMENT

In the proceedings before the District Court, Respondent Ruth U. Fertel, Inc. and Ruth's Chris Steak Houses ("Respondents") sought an injunction barring Petitioner, ("Delta"), from using the word "U.S. Prime" in the name of its restaurant, U.S. Prime Steak House. The District Court granted Respondent's a

preliminary injunction and the Tenth Circuit affirmed that decision, holding that Respondents' purported "U.S. Prime" mark was entitled to protection. [Delta Western vs. Ruth's Chris Steak Houses, 24 Appx. 957 (10th Cir. 2001).

Respondents subsequently moved for a permanent injunction, which Delta opposed by submitting new evidence that was not available at the time of the preliminary injunction hearing. Based on an order of the District Court, however, counsel for Delta believed that a permanent injunction hearing had been canceled and was traveling on the day the hearing took place. After the District Court contacted him by telephone, counsel for Delta participated in the hearing without the benefit of any documents. In response to erroneous claims by the District Court that Delta had failed to provide any new evidence since the preliminary injunction hearing to support its defenses other than a new survey and after a threat of sanctions by the District Court, counsel for Delta stipulated that Delta would no longer use the words "U.S. Prime." As a result, the District Court issued a permanent injunction against Delta.

Following entry of the permanent injunction, Delta appealed on the grounds that its agreement not to use the trademark did not bar its defenses based on fraud and unclean hands and on the grounds that Respondents' trademark should be canceled. The Tenth Circuit panel utterly ignored the substantive basis of Delta's appeal and affirmed the judgment on the sole basis that Delta's stipulation disposed of all issues in the case(App. 5a). Moreover, the panel sanctioned Delta in the amount of $28,097.25, allegedly

the amount of Respondents' attorneys fees on appeal(App. 12a). This sanction amount determined by the 10th Circuit panel would have been substantially lower had the panel not ordered the parties to fully brief the case while there were pending motions and memorandums to strike the appeal that appear from the opinion to be the single reason for the finding by the Court that an appeal of a stipulation is *always* frivolous (37a-38a). Delta's Petition for Rehearing En Banc was denied on July 13, 2005(App. 18a).

SUMMARY OF ARGUMENT.

The Petitioner's claim is that the substance of Delta's appeal – in particular Delta's evidence of Respondent's fraudulent use of the purported trademark "U.S. Prime" – was ignored by the Court of Appeals finding that the parties' stipulation mooted the remaining substantive issues even though a reading of the stipulation to bar the Petitioner's claim is against Public Law 272, public policy and violates the United States Constitution and the separation of powers principles it embodies.

Additionally, this petition raises the question of whether sanctions on appeal are appropriate where there is a dispute regarding the scope of a stipulation reached as a result of the District Court Judge's erroneous rulings and coercion and where the Court of Appeals after receiving motions to strike the appeal ordered the Parties to fully brief the case.

REASONS FOR GRANTING THE PETITION

Delta Only Stipulated That It Would Not Use The Term "U.S. Prime" And It Did Not Knowingly Waive Its Defense Of Unclean Hands.

In the proceedings before the District Court, Respondents sought an injunction barring Delta from using the word "U.S. Prime" in the name of its restaurant, U.S. Prime Steak House. The District Court granted Respondents a preliminary injunction and the Tenth Circuit affirmed that decision, holding that Respondents' purported "U.S. Prime" mark was entitled to protection. See *Delta Western vs. Ruth's Chris Steak Houses*, 24 Appx. 957 (10th Cir. 2001).

Respondents subsequently moved for a permanent injunction, which Delta opposed by submitting new evidence that was not available at the time of the preliminary injunction hearing. Based on an order of the District Court, however, counsel for Delta believed that a permanent injunction hearing had been canceled and was traveling on the day the hearing took place. After the District Court contacted him by telephone, counsel for Delta participated in the hearing without the benefit of any documents. In response to erroneous claims by the District Court that Delta had failed to provide any new evidence since the preliminary injunction hearing to support its defenses other than a new survey and with a threat of sanctions by the District Court, counsel for Delta stipulated that Delta would no longer use the words "U.S. Prime." As a result, the District Court issued a permanent injunction against Delta.

Following entry of the permanent injunction, Delta appealed on the grounds that its agreement not to use the trademark did not bar its defenses based on fraud and unclean hands and on the grounds that Respondents' trademark should be canceled as a matter of law because it violates Public Law 272 and the Lanham Act. The Tenth Circuit panel utterly ignored the substantive basis of Delta's appeal and affirmed the judgment on the sole basis that Delta's stipulation disposed of *all* issues in the case. In its May 2, 2005 Order and Judgment, the Court of Appeals noted, "[b]ecause RUFI correctly argues that DWG waived its right to file the current appeal, we need not revisit the remaining substantive issues raised by DWG"(App. 5a).

Moreover, the panel sanctioned Delta in the amount of $28,097.25, allegedly the amount of Respondents' attorney's fees on appeal. This sanction amount determined by the Court of Appeals would have been substantially lower had the panel not ordered the parties to fully brief the case while there were pending motions and memorandums to strike the appeal. However, because the Court of Appeals' re-hearing opinion concludes that an appeal of a stipulation is *always* frivolous, the Court of Appeals did not need the parties' briefs to instruct it in the simple rule of law it articulated, i.e., that an appeal of a stipulation is *always* frivolous.

2. The Decision of The Tenth Circuit Violates the United States Constitution And The Separation of Powers Principles It Embodies.

Finally, there is a constitutional question that the Tenth Circuit panel ignored which should be

addressed by this Court, namely, whether the judiciary can eviscerate the meaning of Public Law 272 and substitute its judgment for that of Congress and deny the U.S. Department of Agriculture the sole authority to determine the grade of beef in the United States. The Order of July 13, 2005 from the 10th Circuit Court of Appeals amounts to the Court substituting its judgment for that of the United States Department of Agriculture and ignores the USDA's opinion letter dated January 3, 2001 (App. 35a-36a).

3. The District Court Coerced a Stipulation Which Enjoined Delta Only From Using the Term "U.S. Prime."

While appellate courts should honor stipulations regarding factual issues, *see Vallejos v. C.E. Glass Co.*, 583 F.2d 507, 510-11 (10th Cir. 1978), "[i]t is well-settled that a court is not bound by stipulations of the parties as to questions of law." *Koch v U.S. Dept. Of Interior*, 47 F.3d 1015, (10th Cir. 1995). Similarly, provisions within consent decrees fixing a stipulated penalty are unenforceable if they constitute unreasonable penalties or if they are void as a matter of public policy. *South Suburban Hous. Ctr. v. Berry*, 186 F.3d 851, 856 (7th Cir. 1999).

This is particularly the case where the District Court coerced the stipulation from Delta's counsel, who was only participating in the hearing telephonically without the benefit of any documents due to the District Court's own ambiguous scheduling order(App. 14a).

The disputed stipulation arose from the District Court's erroneous view that Delta had failed to present any new evidence and its resulting threat of sanctions

against Delta if it submitted the same evidence later that was then before the Court at the Permanent Injunction Hearing. The District Court coerced the stipulation by threatening sanctions involving Respondents' request for attorneys fees in excess of $100,000 based on its mistaken view of the evidence before it. The stipulation should therefore not serve to bar substantive review of Delta's appeal, particularly as it pertains to matters of law that were not subject to stipulation.

Delta only stipulated to refrain from using the mark "U.S. Prime" after the District Court ruled that Delta had failed to submit any new evidence that had not been presented at the preliminary injunction stage and threatened Delta with sanctions for repeating its prior arguments. The District Court's ruling that Delta did not present any new evidence at the permanent injunction hearing is demonstrably false. Delta's "new" evidence submitted at the permanent injunction hearing included a new document that was a USDA opinion letter written *after* the preliminary injunction hearing; meat invoices introduced as evidence demonstrating that Respondents were committing fraud by labeling USDA choice steaks "U.S. Prime" in violation of Public Law 272; Respondents' false advertisements in Delta Airlines Sky Magazine of tenderloin filets stated as being USDA Prime when they are not; additional evidence of a new trademark that uses the term "U.S. Prime" that was registered by a third party after the registration of the disputed mark; and other documents demonstrating massive fraud resulting from Respondents' misleading use of its purported mark "U.S. Prime."

The District Court and the Tenth Circuit panel's summary dismissal of Delta's unclean hands defense

based on the stipulation is wrong because it amounts to an order granting Respondents the "green light" to commit fraud against the American public by labeling its products with an invalid trademark – "U.S. Prime" – labeling which deceives the American public into believing that it is buying USDA Prime steaks when it is not. Stipulation or no stipulation, the Court of Appeals' decision to permit Respondents to continue marketing its steaks using the "U.S. Prime" moniker, in light of all of the evidence before the Court that such designation is fraudulent, ignores the Court of Appeals' duty to preserve the integrity of the USDA meat grading system and furthers Respondents' fraudulent conduct. The order also fails to take into account the deliberate misrepresentations of Ruth's Chris' counsel that there was no new evidence prior to the issuance of the permanent injunction other than a new survey.

4. The Award of Attorney's Fees for Filing a Frivolous Appeal is in Error.

As stated above, the Court of Appeals ordered Delta to pay Respondents' counsel over $28,000 in sanctions. This award is manifestly inappropriate in light of the facts of this case, because Delta's appeal was not frivolous and because Respondents had committed fraud coming into the Court seeking relief when its hands were demonstrably unclean.

To begin with, Delta's arguments regarding the scope of the stipulation are valid. Participating in the permanent injunction hearing by telephone, counsel for Delta only stipulated that it would not use the mark "U.S. Prime." It did *not* relinquish its defenses based on fraud and the doctrine of unclean hands and at no time believed it had waived its substantive challenges

to the validity of the "U.S. Prime" mark. It is inconceivable that Delta's stipulation now bars the lower courts or this Court from considering its unclean hands argument. When presented with a claim of unclean hands, a court is primarily concerned with protecting the integrity of its own processes and in not abetting the fraudulent conduct alleged in the matter. *See Northeast Women's Ctr. v. McMonagle,* 863 F.2d 1342 (3rd Cir), *cert denied,* 110 S.Ct. 261 (1989). The decision of the Court of Appeals here is in complete conflict with the Third Circuit Court of Appeals' decision in *Northeast Women's Center, supra.* This Court should resolve the question of whether a federal appellate court should place priority first on the integrity of its own processes rather than disposing of cases and clearing its dockets.

On Page 13 of July 13, 2005 decision, the Court of Appeals states that "As to the new evidence on which this appeal allegedly relies, DWG declined to present and argue this evidence to the district court after being expressly invited to do so. Instead, DWG stipulated to judgment and filed its notice of appeal eight days after judgment issued. The excuses for this behavior are decidedly unsatisfactory"(App.___). The Tenth Circuit completely fails to apprehend that the District Court judge threatened Delta with sanctions if it submitted the same evidence later that was then before the Court at the Permanent Injunction Hearing. This was a Hobson's Choice for the Petitioner's counsel, really no choice at all. The district court judge had *already* concluded in a clearly erroneous manner that the new evidence at the Permanent Injunction hearing was in fact *not* new evidence. With Respondents' lawyers seeking sanctions of over $100,000, which Delta's attorney could not afford, and with a district

court judge threatening Delta with sanctions if it introduced later the same evidence that it offered at the permanent injunction hearing, what choice was there for Petitioner's counsel? There was no choice at all and the Petitioner's counsel did not waive the opportunity on this record to present evidence in support of its claims that the Respondents' mislabeling of its meat "U.S. Prime" amounted to fraud and invoked the equitable doctrine of unclean hands.

CONCLUSION

At the end of the day, the travesty is that the Tenth Circuit Court of Appeals has placed its imprimatur on Respondents' unfettered mislabeling of its meats as "US Prime" in total disregard of the USDA's primary authority to grade beef and in derogation of the power of the judiciary as a separate but co-equal branch of government to enforce the USDA's meat grading authority under Public Law 272 by making Respondents adhere to the USDA's standards in this civil action.

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(any footnotes trail end of each document)

Nos. 03-4103 and 03-4112

United States Court of Appeals,
Tenth Circuit.

THE DELTA WESTERN GROUP, LLC,
Plaintiff-Appellant/Cross-Appellee,

Daniel B. McCauley; Donald E. Little,
Plaintiffs,
v.
RUTH E. FERTEL, INC.; Ruth's Chris Steak Houses,
Defendants-Appellees/Cross-
Appellants.

May 2, 2005.

Donald E. Little, Park City, UT, for Plaintiff-Appellant.

Donald J. Winder, John W. Holt, Winder & Haslam, Salt Lake City, UT, James R. Lewis, Crawford & Lewis, Baton Rouge, LA, Joseph C. Chautin, III, Hardy, Carey & Chautin, Metairie, LA, for Defendants-Appellees.

Before BRISCOE, MURPHY, and O'BRIEN, Circuit Judges.

ORDER AND JUDGMENT*

TERRENCE L. O'BRIEN, Circuit Judge.

After examining the briefs and appellate record, this

panel determined unanimously that oral argument would not materially assist the determination of this appeal. *See* Fed. R.App. P. 34(a)(2); 10th Cir. R. 34.1(G). Therefore, on January 3, 2005, we ordered the case submitted without oral argument.

This intellectual property dispute involves the registered service mark "U.S. Prime." Appellant/Cross-Appellee Delta Western Group, LLC (DWG)[1] challenges the district court's permanent injunction enjoining DWG from using the mark. We affirm.

I. *Background*

In December 1999, DWG opened its restaurant, U.S. Prime Steak House, in Park City, Utah. Shortly thereafter, Ruth U. Fertel, Inc. ("RUFI"), owner of the Ruth's Chris Steak House chain, notified DWG that it was infringing on RUFI's mark, "U.S. Prime," and threatened a lawsuit unless DWG responded in writing that it would no longer use the mark. In response, DWG initiated this action against RUFI challenging the validity of RUFI's "U.S. Prime" service mark under the Federal Trade Commission Act and the Lanham Trademark Act of 1946 (Lanham Act). RUFI counter-claimed, alleging DWG's use of the term "U.S. Prime" in its restaurant's name and on its products infringed on RUFI's registered mark in violation of the Lanham Act.

RUFI filed a motion to dismiss DWG's complaint for failure to state a claim upon which relief could be granted. The motion was granted.[2] RUFI then filed a motion for a preliminary injunction;[3] a hearing was held on September 12 and 13, 2000. On September 27, 2000,

the district court entered an order granting a preliminary injunction to RUFI enjoining DWG from using the mark "U.S. Prime" on its restaurant exterior, menus, products, packaging, advertisements and other materials. The district court concluded, in relevant part, RUFI's mark had acquired secondary meaning and declined to address DWG's unclean hands defense.

DWG appealed, challenging *inter alia* the district court's conclusions concerning secondary meaning and the unclean hands defense. On appeal, in an unpublished decision, we affirmed the district court's grant of a preliminary injunction. *See Delta Western Group, LLC v. Ruth's Chris Steak Houses*, 24 Fed. Appx. 957 (10th Cir.2001). RUFI then filed a motion for summary judgment requesting the preliminary injunction become permanent and seeking its attorneys' fees. DWG never responded to the motion. However, when RUFI advised the court of DWG's failure to respond to the pending motion, DWG filed a motion to dismiss, claiming further proceedings were moot because it had sold its Park City restaurant to a third-party and sought its attorney fees. RUFI opposed the motion to dismiss, asserting DWG's claim that the case was moot was belied by DWG's conduct, specifically, its (1) express reservation of its right to use "U.S. Prime" in the documents related to the sale of its Park City restaurant, (2) continued maintenance of a domain name registration for "usprimesteakhouse.com," and (3) continued participation in cancellation proceedings against RUFI's mark before the United States Patent and Trademark Office ("PTO").

On April 30, 2003, the district court held a hearing on the parties' pending motions at which Little appeared

by telephone on behalf of DWG. At the hearing (hereinafter referred to as the permanent injunction hearing), the district court found the case was not mooted by DWG's sale of its restaurant. It concluded the evidence presented by RUFI demonstrated DWG's intent to continue to use the term "U.S. Prime." It also stated there appeared to be no evidence presented by DWG distinct from that presented at the preliminary injunction hearing but for a survey which was not persuasive. Therefore, the district court offered DWG thirty days in which to point out what new evidence existed. However, it warned DWG that if it merely repeated arguments previously made it might award RUFI its attorneys' fees.

In response, Little stated:

> Your Honor, you're making yourself real clear. And to show my intent never to use this again ... if there's some way that we could fashion a stipulation, I'm willing--myself or my other two partners have no inclination whatsoever to ever use this again at all. And if we can fashion some kind of stipulated judgment between the two parties, we can call this a closed deal and waste no more resources.

(Preliminary Injunction Hearing Tr. at 14.) After further discussion, the parties agreed to the district court issuing an order making the preliminary injunction permanent. Accordingly, on April 30, 2003, the district court issued a permanent injunction to RUFI. As to attorneys' fees, the district court concluded it was not an exceptional case justifying an award of fees to either party.

On May 8, 2003, DWG filed the present appeal challenging the permanent injunction. DWG maintains the district court failed to consider new evidence presented prior to the permanent injunction hearing demonstrating RUFI's unclean hands and, once again, claims the district court erred in finding secondary meaning in RUFI's mark. In addition to its answer brief, RUFI has filed: (1) a Motion for Summary Disposition seeking dismissal of DWG's appeal based on its stipulation to the permanent injunction; (2) a Motion for Sanctions due to DWG's filing of a frivolous appeal; and (3) a conditional appeal of the district court's denial of attorneys' fees in the event we determine DWG can appeal the permanent injunction. DWG responded with: (1) an opposition to the award of sanctions/attorneys' fees; (2) a motion for leave of court to file a supplemental appendix (which RUFI opposes); and (3) a cross-motion for an award of sanctions/attorneys' fees to DWG. Because RUFI correctly argues that DWG waived its right to file the current appeal, we need not revisit the remaining substantive issues raised by DWG.

II. *Discussion*

A. Consent Judgment

It is a well-accepted rule that a party to a consent judgment waives any objection to matters within the scope of the judgment. *Mock v. T.G. & Y. Stores Co.*, 971 F.2d 522, 526 (10th Cir.1992) (collecting cases). "[A] decree, which appears by the record to have been rendered by consent is always affirmed, without considering the merits of the cause." *Swift & Co. v. United States*, 276 U.S. 311, 324, 48 S.Ct. 311, 72 L.Ed.

587 (1928) (quoting *Nashville, Chattanooga & St. Louis Ry. Co. v. United States*, 113 U.S. 261, 266, 5 S.Ct. 460, 28 L.Ed. 971 (1885)). In the absence of a reservation of the right to appeal a consent decree, there are only three exceptions to this general rule *Mock*, 971 F.2d at 527. A party may appeal a consent judgment where he can establish he did not actually consent, where he can show fraud in the procurement, or where the court entering the judgment lacked subject matter jurisdiction over the case. *Swift*, 276 U.S. at 324. None of these exceptions apply.

DWG's initial contention is that the stipulation was not voluntary. It argues that due to the confusing nature of the court's order vacating the proceedings, Little was required to participate at the preliminary injunction hearing on a cell phone from the back of a taxicab where Little could only intermittently hear the proceedings until he reached his hotel and a land-line telephone.[4] Further, DWG contends Little was required to participate without the assistance of documents and agreed to stipulate only under the threat of sanctions by the district court.

These arguments are singularly without merit. It was Little himself who first suggested a stipulation. Moreover, he never indicated to the district court that he could not hear the proceedings and, in fact, informed the district court prior to the stipulation that he had switched to a land line telephone. Although he bemoans his presence in another state, necessarily proceeding by memory alone, he never requested a continuance. We must stretch to find sympathy for his predicament since his location was based on his own failure to carefully read the district court's order vacating all dates *set*

forth in the scheduling order, not the actual hearing. Nevertheless, the mere fact Little appeared telephonically does not seem to have affected his ability to voluntarily enter into the stipulation.

The argument that the district court coerced agreement through the threat of sanctions borders on offensive. The district court willingly provided DWG with the option of an additional thirty days to submit and present argument on what it believed to be new evidence. Although the district court warned DWG that it would seriously consider awarding attorneys' fees to RUFI if DWG repeated previously made arguments, there is nothing improper in a district court's admonishment to a party that it will not tolerate certain behavior and advising of possible consequences for disregard of the warning.

DWG next asserts that, if the stipulation is considered voluntary, the stipulation is limited solely to an agreement that it would not use the term "U.S Prime" in the future, reserving the disposition of the unclean hands or secondary meaning issues. It also maintains its request at the hearing for several days to review the permanent injunction order coupled with its immediate notice of appeal indicates it had changed its position. DWG further complains the district court did not instruct DWG that it was waiving its right to appeal by stipulating to the permanent injunction.

"[T]he scope of a consent decree must be discerned within its four corners, and not by reference to what might satisfy the purposes of one of the parties to it." *United States v. Armour & Co.*, 402 U.S. 673, 681, 91 S.Ct. 1752, 29 L.Ed.2d 256 (1971). Our review of the

transcript of the hearing and the subsequent order granting a permanent injunction reveals DWG voluntarily consented to the permanent injunction and all issues were clearly included in the stipulated judgment.

A review of the transcript is revealing. Following its specific offer of an additional thirty days to identify new evidence, the district court stated, "If you believe that, you agree that my order of preliminary injunction may simply become final, that is another option you have." (Preliminary Injunction Hearing Tr. at 13-14.) In response, DWG's counsel stated he intended to permanently forego using the term "U.S. Prime," and made the following offer, "[I]f we can fashion some kind of stipulated judgment between the two parties, *we can call this a closed deal and waste no more resources.*" (*Id.* at 14 (emphasis added). The district court then asked counsel, "What if I just say based on the stipulation of the parties, the injunction is permanent; each party to bear its own costs, would that achieve the offer you just made?" (*Id.*) Mr. Little responded with a request for two or three days to review the draft. In reply, the district court stated:

> [L]et me tell you exactly what it would be. It would be my order granting [the preliminary] injunction of September 28th.... It would have one paragraph that would say based on the stipulation and the discussion at this hearing, the following order becomes permanent. There would be a final paragraph that would say I find this is not an exceptional case justifying an award of attorney's fees, therefore, the case is dismissed. Each party to bear its own attorney's fees.

(*Id.* at 15.) DWG's counsel responded, "Your Honor, I have no problem with that at this point, *and that way I would not have to bring up more issues*, and I would be--*I am acceptable to that.*" (*Id.*)

Thus, DWG's argument that its stipulation did not cover the issues of unclean hands and secondary meaning is unsupported in the record. Indeed, DWG's counsel twice indicated his wish to call this a closed case to avoid raising new issues and to avoid wasting resources. He settled without expressing any reservations, knowing the scope of the preliminary injunction--having appealed those issues already--and knowing that an identical permanent injunction order would conclude the entire case. DWG points to no case law requiring the district court to instruct counsel on the legal consequences of his actions when consenting to judgment. In addition, if DWG was dissatisfied with any part of the permanent injunction order, it should have raised these objections with the district court first, rather than immediately filing an appeal.

Because the entire scope of the preliminary injunction was included within the stipulation and no other exception to the rule prohibiting the appeal of consent judgments is applicable, DWG has waived its right to appeal and affirmance is necessary. *See Mock*, 971 F.2d at 526 n. 5 ("[T]he appropriate disposition, if the appeal represents no more than a retroactive attempt to undo consent properly given, is affirmance rather than dismissal."). [5]

B. Sanctions

RUFI filed a motion for sanctions under Fed. R.App.

P. 38 contending DWG's arguments on appeal fail to provide any legitimate basis for overturning a stipulated permanent injunction order. It also argues DWG's appeal is essentially a re-hashing of its previous appeal. Consequently, RUFI avers DWG has wasted judicial resources and caused RUFI to incur significant costs in defending itself. It requests an award of just damages, including attorney fees and double costs.[6] In opposition, DWG argues this appeal was not taken in bad faith nor is it frivolous, it contends it is based on a disagreement over the scope of the stipulation.[7] DWG has also filed a motion for sanctions against RUFI claiming RUFI's attorneys perpetuated a fraud on the district court and this Court.

Rule 38 of the Federal Rules of Appellate Procedure provides:

> Frivolous Appeal--Damages and Costs
> If a court of appeals determines that an appeal is frivolous, it may, after a separately filed motion or notice from the court and reasonable opportunity to respond, award just damages and single or double costs to the appellee.

"An appeal is frivolous when the result is obvious, or the appellant's arguments of error are wholly without merit." *Braley v. Campbell*, 832 F.2d 1504, 1510 (10th Cir.1987) (en banc) (quotations omitted). In *Braley*, we quoted with approval the following observation by then Chief Judge Markley of the Sixth Circuit, "[F]rivolity, like obscenity, is often difficult to define. With courts struggling to remain afloat in a constantly rising sea of litigation, a frivolous appeal can itself be a form of obscenity. Rule 38 should doubtless be more often

enforced than ignored in the face of a frivolous appeal." *Id.* at 1511 (quoting *WSM, Inc. v. .. Tennessee Sales Co.*, 709 F.2d 1084, 1088 (6th Cir.1983)).

In addition to parties, in an appropriate case, Rule 38 also permits sanctions against attorneys personally for taking a truly frivolous appeal on behalf of their clients. *Id.* The test is not whether the attorney acted with subjective bad faith but rather whether his/her conduct, when viewed objectively, "manifests either intentional or reckless disregard of the attorney's duties to the court." *Id.* at 1512.

When a court imposes sanctions under Rule 38, it must sufficiently express the basis for them. *Id.* at 1513. Due process requires that notice and an opportunity to be heard be given to the person against whom sanctions are requested. *Id.* at 1514. Such due process requirements are satisfied if the party seeking sanctions files a separate motion for sanctions and the party against whom sanctions are sought has the opportunity to file a brief or otherwise be heard.[8] *Id.* at 1515.

The district court did not impose sanctions against DWG but warned Little he was getting close. We defer to the district court's decision. However, on appeal, DWG and its counsel have crossed the line. Not only did DWG stipulate to the judgment it now challenges on appeal, it is also reurging precisely the same positions which we have previously resolved in its first appeal. DWG's characterization of the record is disingenuous, blaming the stipulation on the wording of the court's order cancelling all dates in the scheduling order and the pressure created by the court's legitimate warnings

regarding counsel's conduct. As to the new evidence on which this appeal allegedly relies, DWG declined to present and argue this evidence to the district court after being expressly invited to do so. Instead, DWG stipulated to judgment and filed its notice of appeal eight days after judgment issued. The excuses for this behavior are decidedly unsatisfactory. As a result, RUFI has incurred substantial time and expense in defending this appeal and we have wasted time and judicial resources resolving it.

As stated above, this Court has the power under Rule 38 to impose sanctions such as costs, attorneys' fees and double costs for the filing of frivolous appeals and "the inherent power to impose sanctions that are necessary to regulate the docket, promote judicial efficiency, and most importantly in this case, to deter frivolous filings." *Van Sickle v. Holloway*, 791 F.2d 1431, 1437 (10th Cir.1986). Because RUFI filed a separate motion for sanctions (accompanied by documentation of fees) and DWG responded in opposition to RUFI's motion, due process considerations have been met. *See Braley*, 832 F.2d at 1515. Therefore, we grant RUFI's motion and order DWG to pay RUFI's attorneys' fees to the Winder & Haslam firm in the amount of $19,414.25 and to the Hardy, Carey, & Chautin firm in the amount of $8,683.00. We decline to impose double costs as RUFI requested.

As to DWG's motion for sanctions against RUFI claiming its attorneys had perpetrated a fraud on the district court and in the appellate briefs, we have carefully reviewed the record and find this claim to be without merit.

III. *Conclusion*

For the reasons set forth above, DWG's Motion to Supplement the Record and Motion for Sanctions on Appeal are DENIED. We AFFIRM the stipulated order entered by the district court granting a permanent injunction. Pursuant to Fed. R .App. P. 38 and the inherent power of this Court, we award RUFI its attorneys' fees on appeal as noted above.

Footnotes

FN* This order and judgment is not binding precedent except under the doctrines of law of the case, *res judicata* and collateral estoppel. The court generally disfavors the citation of orders and judgments; nevertheless, an order and judgment may be cited under the terms and conditions of 10th Cir. R. 36.3.

FN1. Daniel B. McCauley and Donald E. Little were business partners in DWG and individually named parties when this case was initiated in the district court; neither is named in this appeal. Mr. Little has also acted as counsel for DWG throughout the district and appellate court proceedings.

FN2. In response to RUFI's motion to dismiss, DWG filed two motions to amend its complaint; both were denied. The district court granted the motion to dismiss finding in relevant part: (1) DWG's claim under § 43(a) of the Lanham Act (15 U.S.C. § 1125(a)) was barred because RUFI and DWG were not competitors and therefore DWG did not having standing under that statute; and (2) DWG's claim under the Utah Consumer Sales Practice Act for deception and misrepresentation

was not stated with the required particularity. DWG conceded its original complaint should be dismissed for failure to state a claim.

FN3. RUFI had earlier filed a motion for a temporary restraining order which was denied.

FN4. The reason Little was not present in person was based on his belief that the hearing had been vacated by court order. That order stated:
PLEASE TAKE NOTICE that proceedings in this case have been vacated from hearing before Honorable Tena Campbell: TYPE OF PROCEEDING: Court vacates all dates set in scheduling order pending resolution of dispositive motions.

FN5. Given our disposition of the effect of the consent judgment, RUFI's conditional cross-appeal regarding the district court's denial of attorneys' fees is moot.

FN6. RUFI has had two law firms representing it in this appeal. According to the affidavits attached to the motion for sanctions, as of September 30, 2004, the Winder & Haslam firm's attorneys' fees for this appeal total $19,414.25 and the Hardy, Carey, & Chautin firm's attorneys' fees for this appeal total $8,683.00. Attached to the affidavits are time records for each firm.

FN7. DWG also argues sanctions are unwarranted because RUFI is guilty of the very action upon which it seeks sanctions against DWG, *i.e.*, RUFI has appealed the district court's denial of attorneys' fees after stipulating to the permanent injunction order. This argument is baseless as RUFI filed its appeal as a conditional appeal.

FN8. Indeed, the Advisory Committee Notes to the 1994 Amendments to Rule 38 state a party's request for sanctions must be presented in a separate motion; it is insufficient to make such a request in a party's brief as such requests have become too commonplace and can be easily overlooked by the other party.

No. 2:00-CV-0045C.
United States District Court, D. Utah, Central Division.

THE DELTA WESTERN GROUP, L.L.C.; Daniel B. McCauley; and Donald E. Little,
Plaintiffs,
v.
RUTH U. FERTEL, INC. and Ruth's Chris Steak Houses, Defendants.

Filed 5/1/2003

ORDER

Based on the stipulation of the parties a stated at the April 30, 2003 hearing, the court enters a permanent injunction on the same evidence and under the same analysis forming the basis of the preliminary injunction entered September 28, 2000. Consequently, Delta Western is hereby permanently enjoined from using the mark "U.S. Prime" on its restaurant exterior, menus, products, packaging, advertisements, name tags, correspondence, decorations, or business plans. Additionally, the parties have requested attorney's fees The Tenth Circuit Court of Appeals has held that attorney's fees are available in trademark infringement actions orlly where justified by exceptional circumstances; that is, where trademark infringement is "malicious, fraudulent, deliberate, or willful," United Phosphorus., Limited v. Midland Fumigant. Inc., 205 F.3d 1219, 1232 (10th Cir. 2000), or put differently, that the infringement misconduct involves

"bad faith." TakeCare Corporation v. Takecare of Oklahoma Inc., 889 F.2d 955, 957 (10th Cir. 1989). Based on consideration of the entire record, the court finds that neither party has acted in bad faith, maliciously, fraudulently, deliberately, or willfully, and therefore that this is not an exceptional case justifying the grant of attorney's fees.

Accordingly, this case is dismissed, with each side to bear its own costs. IT IS SO ORDERED.

DATED this 30th day of April, 2003.

BY THE COURT:
TENA CAMPBELL United States District Judge

Nos. 03-4103 and 03-4112

United States Court of Appeals, Tenth Circuit.

THE DELTA WESTERN GROUP, LLC,
Plaintiff-Appellant/Cross- Appellee,

DANIEL B. McCAULEY; DONALD E. LITTLE,
Plaintiffs,
v.
RUTH E. FERTEL, INC.; RUTH'S CHRIS STEAK HOUSES,
Defendants-Appellees/Cross-Appellants.

Before BRISCOE, MURPHY, and O'BRIEN, Circuit Judges.

ORDER

Filed July 13, 2005

This matter is before the court on Appellees' Motion for Clarification and Appellant's Petition for Rehearing and Suggestion for Rehearing En Banc.

The motion for clarification is granted. A revised order and judgment is attached.

Appellant's petition for rehearing is denied.

The petition for rehearing en banc was transmitted to all of the judges of the court who are in regular active service as required by Fed. R.App. P. 35. As no

member of the panel and no judge in regular active service on the court requested that the court be polled, that petition is also denied.

Entered for the Court

PATRICK FISHER, Clerk of Court

by:

Deputy Clerk

UNITED STATES COURT OF APPEALS

TENTH CIRCUIT

THE DELTA WESTERN GROUP, LLC,

Plaintiff-Appellant/Cross- Appellee,

DANIEL B. McCAULEY; DONALD E. LITTLE,

Plaintiffs,

v.

RUTH E. FERTEL, INC.; RUTH'S CHRIS STEAK HOUSES,

Defendants-Appellees/Cross- Appellants.

Nos. 03-4103 & 03-4112

(D.Utah)

(D.Ct. No. 2:00-CV-45-TC)

ORDER AND JUDGMENT*

Before BRISCOE, MURPHY, and O'BRIEN, Circuit Judges.

After examining the briefs and appellate record, this panel determined unanimously that oral argument would not materially assist the determination of this appeal. *See* FED. R. APP. P. 34(a)(2); 10TH CIR. R. 34.1(G). Therefore, on January 3, 2005, we ordered the case submitted without oral argument.

This intellectual property dispute involves the registered service mark "U.S. Prime." Appellant/Cross-Appellee Delta Western Group, LLC (DWG)[1] challenges the district court's permanent injunction enjoining DWG from using the mark. We affirm.

I. *Background*

In December 1999, DWG opened its restaurant, U.S. Prime Steak House, in Park City, Utah. Shortly thereafter, Ruth U. Fertel, Inc. ("RUFI"), owner of the Ruth's Chris Steak House chain, notified DWG that it was infringing on RUFI's mark, "U.S. Prime," and threatened a lawsuit unless DWG responded in writing that it would no longer use the mark. In response, DWG initiated this action against RUFI challenging the validity of RUFI's "U.S. Prime" service mark under the Federal Trade Commission Act and the Lanham Trademark Act of 1946 (Lanham Act). RUFI counter-claimed, alleging DWG's use of the term "U.S. Prime" in its restaurant's name and on its products infringed on

RUFI's registered mark in violation of the Lanham Act.

RUFI filed a motion to dismiss DWG's complaint for failure to state a claim upon which relief could be granted. The motion was granted.[2] RUFI then filed a motion for a preliminary injunction;[3] a hearing was held on September 12 and 13, 2000. On September 27, 2000, the district court entered an order granting a preliminary injunction to RUFI enjoining DWG from using the mark "U.S. Prime" on its restaurant exterior, menus, products, packaging, advertisements and other materials. The district court concluded, in relevant part, RUFI's mark had acquired secondary meaning and declined to address DWG's unclean hands defense.

DWG appealed, challenging *inter alia* the district court's conclusions concerning secondary meaning and the unclean hands defense. On appeal, in an unpublished decision, we affirmed the district court's grant of a preliminary injunction. *See Delta Western Group, LLC v. Ruth's Chris Steak Houses*, 24 Fed. Appx. 957 (10th Cir.2001). RUFI then filed a motion for summary judgment requesting the preliminary injunction become permanent and seeking its attorneys' fees. DWG never responded to the motion. However, when RUFI advised the court of DWG's failure to respond to the pending motion, DWG filed a motion to dismiss, claiming further proceedings were moot because it had sold

On April 30, 2003, the district court held a hearing on the parties' pending motions at which Little appeared by telephone on behalf of DWG. At the hearing (hereinafter referred to as the permanent injunction

hearing), the district court found the case was not mooted by DWG's sale of its restaurant. It concluded the evidence presented by RUFI demonstrated DWG's intent to continue to use the term "U.S. Prime." It also stated there appeared to be no evidence presented by DWG distinct from that presented at the preliminary injunction hearing but for a survey which was not persuasive. Therefore, the district court offered DWG thirty days in which to point out what new evidence existed. However, it warned DWG that if it merely repeated arguments previously made it might award RUFI its attorneys' fees.

In response, Little stated:

Your Honor, you're making yourself real clear. And to show my intent never to

(Preliminary Injunction Hearing Tr. at 14.) After further discussion, the parties agreed to the district court issuing an order making the preliminary injunction permanent. Accordingly, on April 30, 2003, the district court issued a permanent injunction to RUFI. As to attorneys' fees, the district court concluded it was not an exceptional case justifying an award of fees to either party.

On May 8, 2003, DWG filed the present appeal challenging the permanent injunction. DWG maintains the district court failed to consider new evidence presented prior to the permanent injunction hearing demonstrating RUFI's unclean hands and, once again, claims the district court erred in finding secondary meaning in RUFI's mark. In addition to its answer brief, RUFI has filed: (1) a Motion for Summary

Disposition seeking dismissal of DWG's appeal based on its stipulation to the permanent injunction; (2) a Motion for Sanctions due to DWG's filing of a frivolous appeal; and (3) a conditional appeal of the district court's denial of attorneys' fees in the event we determine DWG can appeal the permanent injunction. DWG responded with: (1) an

II. *Discussion*

A. Consent Judgment

It is a well-accepted rule that a party to a consent judgment waives any objection to matters within the scope of the judgment. *Mock v. T.G. & Y. Stores Co.*, 971 F.2d 522, 526 (10th Cir.1992) (collecting cases). "[A] decree, which appears by the record to have been rendered by consent is always affirmed, without considering the merits of the cause." *Swift & Co. v. United States*, 276 U.S. 311, 324 (1928) (quoting *Nashville, Chattanooga & St. Louis Ry. Co. v. United States*, 113 U.S. 261, 266 (1885)). In the absence of a reservation of the right to appeal a consent decree, there are only three exceptions to this general rule. *Mock*, 971 F.2d at 527. A party may appeal a consent judgment where he can establish he did not actually consent, where he can show fraud in the procurement, or where the court entering the judgment lacked subject matter jurisdiction over the case. *Swift*, 276 U.S. at 324. None of these exceptions apply.

DWG's initial contention is that the stipulation was not voluntary. It argues { that due to the confusing nature of the court's order vacating the proceedings, Little was required to participate at the preliminary

injunction hearing on a cell phone from the back of a taxicab where Little could only intermittently hear the proceedings until he reached his hotel and a land-line telephone.[4] Further, DWG contends Little was required to participate without the assistance of documents and agreed to stipulate only under the threat of sanctions by the district court.]

These arguments are singularly without merit. It was Little himself who first suggested a stipulation. Moreover, he never indicated to the district court that he could not hear the proceedings and, in fact, informed the district court prior to the stipulation that he had switched to a land line telephone. Although he bemoans his presence in another state, necessarily proceeding by memory alone, he never requested a continuance. We must stretch to find scheduling order, not the actual hearing. Nevertheless, the mere fact Little appeared telephonically does not seem to have affected his ability to voluntarily enter into the stipulation.

The argument that the district court coerced agreement through the threat of sanctions borders on offensive. The district court willingly provided DWG with the option of an additional thirty days to submit and present argument on what it believed to be new evidence. Although the district court warned DWG that it would seriously consider awarding attorneys' fees to RUFI if DWG repeated previously made arguments, there is nothing improper in a district court's admonishment to a party that it will not tolerate certain behavior and advising of possible consequences for disregard of the warning.

DWG next asserts that, if the stipulation is considered

voluntary, the stipulation is limited solely to an agreement that it would not use the term "U.S Prime" in the future, reserving the disposition of the unclean hands or secondary meaning issues. It also maintains its request at the hearing for several days to review the permanent injunction order coupled with its immediate notice of appeal indicates it had changed its position. DWG further complains the district court did not instruct DWG that it was waiving its right to appeal by stipulating to the permanent injunction.

"[T]he scope of a consent decree must be discerned within its four corners, and not by reference to what might satisfy the purposes of one of the parties to it." *United States v. Armour & Co.*, 402 U.S. 673, 681 (1971) Our review of the transcript of the hearing and the subsequent order granting a permanent injunction reveals DWG voluntarily consented to the permanent injunction and all issues were clearly included in the stipulated judgment.

A review of the transcript is revealing. Following its specific offer of an additional thirty days to identify new evidence, the district court stated, "If you believe that, you agree that my order of preliminary injunction may simply become final, that is another option you have." (Preliminary Injunction Hearing Tr. at 13-14.) In response, DWG's counsel stated he intended to permanently forego using the term "U.S. Prime," and made the following offer, "[I]f we can fashion some kind of stipulated judgment between the two parties, *we can call this a closed deal and waste no more resources.*" (*Id.* at 14 (emphasis added). The district court then asked counsel, "What if I just say based on the stipulation of the parties, the injunction is permanent;

each party to bear its own costs, would that achieve the offer you just made?" (*Id.*) Mr. Little responded with a request for two or three days to review the draft. In reply, the district court stated:

> [L]et me tell you exactly what it would be. It would be my order granting [the preliminary] injunction of September 28th.... It would have one paragraph that would say based on the stipulation and the discussion at this hearing, the following order becomes permanent. There would be a final paragraph that would say I find this is not an exceptional case justifying an award of attorney's fees, therefore, the case is dismissed. Each party to bear its own attorney's fees.

(*Id.* at 15.) DWG's counsel responded, "Your Honor, I have no problem with that at this point, *and that way I would not have to bring up more issues*, and I would be--*I am acceptable to that.*" (*Id.*)

Thus, DWG's argument that its stipulation did not cover the issues of unclean hands and secondary meaning is unsupported in the record. Indeed, DWG's counsel twice indicated his wish to call this a closed case to avoid raising new issues and to avoid wasting resources. He settled without expressing any reservations, knowing the scope of the preliminary injunction--having appealed those issues already--and knowing that an identical permanent injunction order would conclude the entire case. DWG points to no case law requiring the district court to instruct counsel on the legal consequences of his actions when consenting to judgment. In addition, if DWG was dissatisfied with any part of the permanent injunction order, it should have raised these objections with the district court

first, rather than immediately filing an appeal.

Because the entire scope of the preliminary injunction was included within the stipulation and no other exception to the rule prohibiting the appeal of consent judgments is applicable, DWG has waived its right to appeal and affirmance is necessary. *See Mock*, 971 F.2d at 526 n.5 ("[T]he appropriate disposition, if the appeal represents no more than a retroactive attempt to undo consent properly given, is affirmance rather than dismissal.").[5]

B. Sanctions

RUFI filed a motion for sanctions under FED. R. APP. P. 38 contending DWG's arguments on appeal fail to provide any legitimate basis for overturning a stipulated permanent injunction order. It also argues DWG's appeal is essentially a re-hashing of its previous appeal. Consequently, RUFI avers DWG has wasted judicial resources and caused RUFI to incur significant costs in defending itself. It requests an award of just damages, including attorney fees and double costs.[6] In opposition, DWG argues this appeal was not taken in bad faith nor is it frivolous; it contends it is based on a disagreement over the scope of the stipulation.[7] DWG has also filed a motion for sanctions against RUFI claiming RUFI's attorneys perpetuated a fraud on the district court and this Court.

Rule 38 of the Federal Rules of Appellate Procedure provides:

Frivolous Appeal--Damages and Costs

If a court of appeals determines that an appeal is frivolous, it may, after a separately filed motion or notice from the court and reasonable opportunity to respond, award just damages and single or double costs to the appellee.

"An appeal is frivolous when the result is obvious, or the appellant's arguments of error are wholly without merit." *Braley v. Campbell*, 832 F.2d 1504, 1510 (10th Cir.1987) (en banc) (quotations omitted). In *Braley*, we quoted with approval the following observation by then Chief Judge Markley of the Sixth Circuit, "[F]rivolity, like obscenity, is often difficult to define. With courts struggling to remain afloat in a constantly rising sea of litigation, a frivolous appeal can itself be a form of obscenity. Rule 38 should doubtless be more often enforced than ignored in the face of a frivolous appeal." *Id.* at 1511 (quoting *WSM, Inc. v. Tennessee Sales Co.*, 709 F.2d 1084, 1088 (6th Cir.1983)).

In addition to parties, in an appropriate case, Rule 38 also permits sanctions against attorneys personally for taking a truly frivolous appeal on behalf of their clients. *Id.* The test is not whether the attorney acted with subjective bad faith but rather whether his/her conduct, when viewed objectively, "manifests either intentional or reckless disregard of the attorney's duties to the court." *Id.* at 1512.

When a court imposes sanctions under Rule 38, it must sufficiently express the basis for them. *Id.* at 1513. Due process requires that notice and an opportunity to be heard be given to the person against whom sanctions are requested. *Id.* at 1514. Such due process requirements are satisfied if the party seeking

sanctions files a separate motion for sanctions and the party against whom sanctions are sought has the opportunity to file a brief or otherwise be heard.[8] *Id.* at 1515.

The district court did not impose sanctions against DWG but warned Little he was getting close. We defer to the district court's decision. However, on appeal, DWG and its counsel have crossed the line. Not only did DWG stipulate to the judgment it now challenges on appeal, it is also reurging precisely the same positions which we have previously resolved in its first appeal. DWG's characterization of the record is disingenuous, blaming the stipulation on the wording of the court's order cancelling all dates in the scheduling order and the pressure created by the court's legitimate warnings regarding counsel's conduct. As to the new evidence on which this appeal allegedly relies, DWG declined to present and argue this evidence to the district court after being expressly invited to do so. Instead, DWG stipulated to judgment and filed its notice of appeal eight days after judgment issued. The excuses for this behavior are decidedly unsatisfactory. As a result, RUFI has incurred substantial time and expense in defending this appeal and we have wasted time and judicial resources resolving it.

As stated above, this Court has the power under Rule 38 to impose sanctions such as costs, attorneys' fees and double costs for the filing of frivolous appeals and "the inherent power to impose sanctions that are necessary to regulate the docket, promote judicial efficiency, and most importantly in this case, to deter frivolous filings." *Van Sickle v. Holloway*, 791 F.2d 1431, 1437 (10th Cir.1986). Because RUFI filed a separate motion for

sanctions (accompanied by documentation of fees) and DWG responded in opposition to RUFI's motion, due process considerations have been met. *See Braley*, 832 F.2d at 1515. Therefore, we grant RUFI's motion and order DWG and its attorney Donald Little to pay RUFI's attorneys' fees to the Winder & Haslam firm in the amount of $19,414.25 and to the Hardy, Carey, & Chautin firm in the amount of $8,683.00. We decline to impose double costs as RUFI requested.[9]

As to DWG's motion for sanctions against RUFI claiming its attorneys had perpetrated a fraud on the district court and in the appellate briefs, we have carefully reviewed the record and find this claim to be without merit.

III. *Conclusion*

For the reasons set forth above, DWG's Motion to Supplement the Record and Motion for Sanctions on Appeal are DENIED. We AFFIRM the stipulated order entered by the district court granting a permanent injunction. Pursuant to FED. R. APP. P. 38 and the inherent power of this Court, we award RUFI its attorneys' fees on appeal as noted above.

Entered by the Court:

Terrence L. O'Brien United States Circuit Judge

Footnotes

FN*. This order and judgment is not binding precedent except under the doctrines of law of the case, *res judicata* and collateral estoppel. The court

generally disfavors the citation of orders and judgments; nevertheless, an order and judgment may be cited under the terms and conditions of 10th Cir. R. 36.3.

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FN8. Indeed, the Advisory Committee Notes to the 1994 Amendments to Rule 38 state a party's request for sanctions must be presented in a separate motion; it is insufficient to make such a request in a party's brief as such requests have become too commonplace and can be easily overlooked by the other party.

FN9. RUFI's May 12, 2005 Motion for Clarification of Order and Judgement is granted.

TITLE 7 CHAPTER 38 SUBCHAPTER I § 1622 Prev

§ 1622. Duties of Secretary relating to agricultural products

(h) Inspection and certification of products in interstate commerce; credit and future availability of funds; investment; certificates as evidence; penalties

To inspect, certify, and identify the class, quality, quantity, and condition of agricultural products when shipped or received in interstate commerce, under such rules and regulations as the Secretary of Agriculture may prescribe, including assessment and collection of such fees as will be reasonable and as nearly as may be to cover the cost of the service rendered, to the end that agricultural products may be marketed to the best advantage, that trading may be facilitated, and that consumers may be able to obtain the quality product which they desire, except that no person shall be required to use the service authorized by this subsection. Any fees collected under this subsection, late payment penalties, the proceeds from the sales of samples, and interest earned from the investment of such funds shall be credited to the trust fund account that incurs the cost of the services provided under this subsection and shall remain available without fiscal year limitation to pay the expenses of the Secretary incident to providing such services. Such funds may be invested by the Secretary in insured or fully collateralized, interest-bearing accounts or, at the discretion of the Secretary, by the Secretary of the Treasury in United States Government debt instruments. Any official certificate issued under the authority of this subsection shall be received by all officers and all courts of the United States as prima

facie evidence of the truth of the statements therein contained. Whoever knowingly shall falsely make, issue, alter, forge, or counterfeit any official certificate, memorandum, mark, or other identification, or device for making such mark or identification, with respect to inspection, class, grade, quality, size, quantity, or condition, issued or authorized under this section or knowingly cause or procure, or aid, assist in, or be a party to, such false making, issuing, altering, forging, or counterfeiting, or whoever knowingly shall possess, without promptly notifying the Secretary of Agriculture or his representative, utter, publish, or use as true, or cause to be uttered, published, or used as true, any such falsely made, altered, forged, or counterfeited official certificate, memorandum, mark, identification, or device, or whoever knowingly represents that an agricultural product has been officially inspected or graded (by an authorized inspector or grader) under the authority of this section when such commodity has in fact not been so graded or inspected shall be fined not more than $1,000 or imprisoned not more than one year, or both. Shell eggs packed under the voluntary grading program of the Department of Agriculture shall not have been shipped for sale previous to being packed under the program, as determined under a regulation promulgated by the Secretary.

USDA

January 3, 2001

Mr. Donald E. Little
P.O. Box 980880
Park City, Utah 84098

Dr Mr. Little:

This letter is in response to your January 2, 2001, telephone inquiry, and follow-up letter concerning the use of the word "Prime" in conjunction with read meats.

As you are aware, the Livestock and Seed (LS) Program of the Agricultural Marketing Service (AMS) provides a grading service for beef, veal and calf, and lamb and mutton for which "Prime" is one of the grade names. The position of AMS and the Food Safety and Inspection Service (FSIS) –which is responsible for labeling of meat products—is that "Prime" and other grade names cannot be used on meat products unless they are officially graded by AMS. This also applies to abbreviations such as CHO or PR which could imply graded product on meat labels. The exception, which is a change from the previous FSIS position, is that the use of a company name or modifier in front of the grade name (e.g.; John's Choice) will be allowed on product that is not officially graded that grade. Any other us of grade names would be a violation of Public Law (P.L.) 272.

Officially, graded beef an other carcasses are stamped with a shield bearing the letters USDA and the grade name (e.g.; USDA Prime). However, we consider the

terms "Prime" and "U.S. Prime" to be interchangeable with "USDA Prime" and carry exactly the same meaning. Since the Department of Agriculture (USDA) does not trademark the grade names, we consider their use to b in the public domain, and not the exclusive property of any individual or company, as long as they are used in a manner that is not a violation of P.L. 272.

Although USDA (AMS and FSIS) does not have adequate resources to fully enforce these regulations beyond the point of Federal inspection, spot checks are made at retail stores and restaurants, and allegations of mislabeling are investigated. In most cases when instances of violations are documented, they are resolved by the violator voluntarily agreeing to correct the violation and no further action is taken. Repeated violations and failure to make corrections could result in prosecution, but this step is seldom taken for grade mislabeling cases.

I hope that this explanation of the USDA position on the use of grade name terminology clarifies the issue for you. IF you are aware of a situation that you believe is a violation of the P.L. 272 requirements, I would recommend that you bring them to the attention of Mr. Terry Lutz in the Meat Grading and Certification Branch. His telephone number is (202) 720-1114

Sincerely,
s/
Herbert C. Abraham
***
Standardization Branch

Nos. 03-4103 and 03-4112

United States Court of Appeals,
Tenth Circuit.

THE DELTA WESTERN GROUP, LLC,
Plaintiff-Appellant/Cross-Appellee,

Daniel B. McCauley; Donald E. Little,
Plaintiffs,
v.
RUTH E. FERTEL, INC.; Ruth's Chris Steak Houses,
Defendants-Appellees/Cross-
Appellants.

Filed September 8, 2003

The court reserves judgment on the motion by Appellees-Defendants for summary disposition in No. 03-4103. Defendants' motion and Plaintiff's memorandum in opposition will be submitted to the panel selected to handle this appeal and cross-appeal.

Briefing on the merits may proceed. The first brief on cross-appeal by Appellant-Plaintiff Delta Western Group must be served and filed 40 days after the date on this order. The second brief on cross-appeal by Appellees-Defendants must be served and filed 40 days after service of the first brief. The third brief by Appellant-Plaintiff must be served and filed 30 days after service of the second brief. The fourth brief by Appellees-Defendants may be served and filed 14 days after service of the third brief. See 10th Cir. R. 31.5

Entered for the Court

Patrick Fisher, Clerk
s/
Kathleen T. Clifford
Attorney – Deputy Clerk